No. 93-1014

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
Petitioner,

VS.

GENENTECH, INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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Respondent Genentech, Inc. does not dispute that the Federal Circuit's ruling will affect a vast number of cases in which States own patents, and that the impact on the States will be severe. The issue is of tremendous importance, as illustrated by the instant case where Genentech seeks over fifty million dollars plus punitive damages in its state law claims for recoupment, and declarations on how the State should manage its patent licensing program to comport with state law.

Genentech also does not dispute that the State has no choice but to sue in federal court to enforce its patent. Thus, Genentech's argument is that the State has waived its immunity to state law claims without any meaningful voluntary action.

The essence of Genentech's opposition is that this case does not deserve the Court's attention because the Federal Circuit's opinion is correct. However, the ruling that *Pennhurst State School &*

Hospital v. Halderman, 465 U.S. 89 (1984), does not apply when a State owns a patent is wrong and represents a substantial erosion of the rule announced in *Pennhurst*. As to the separate abrogation issue presented by Genentech's patent declaratory judgment suit, the court of appeals' extension of abrogating legislation to an area never considered by Congress violates the rule announced in *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985), which permits abrogation only where Congress clearly intended it. The petition should be granted to resolve these conflicts before the Federal Court's opinion has far-reaching, negative effects on the States' economic interests and constitutional rights.

I.

Despite Genentech's assertion to the contrary, the Federal Circuit's opinion conflicts directly with the holding of *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89 (1984), which set forth a flat prohibition against private persons maintaining state law claims against a State in federal court. The Federal Circuit held such claims to be permissible in all litigation involving state-owned patents despite *Pennhurst*.

The circuit court held that the University had waived *Pennhurst* immunity under what it called "the *Clark* exception to *Pennhurst*." A-25.[1] Genentech suggests that such an exception is well established and means that a State waives its immunity to pendent and ancillary jurisdiction by bowing to exclusive federal jurisdiction when vindicating a federal right. Opposition at 4-5.

Neither *Clark v. Barnard*, 108 U.S. 436, 447 (1883), nor *Pennhurst* so held. The University does not question the holding in *Clark* that a State can waive its rights under the Eleventh Amendment, which is all that the Court cited *Clark* for in

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[1] The Federal Circuit recognized that the State's *Pennhurst* immunity to the state law counts had not been abrogated by the Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992). A-20 ("these counts are not within the statutory abrogation").

Pennhurst. 465 U.S. at 99. However, the scope of the waiver in this case is required by *Pennhurst* to be limited to the federal questions that must be resolved in federal court. The principles of federalism which underlie the Eleventh Amendment and *Pennhurst* are equally applicable to Genentech's state law counterclaims. Petition at 6-9. The "intrusion on state sovereignty" (*Pennhurst*, 465 U.S. at 106) is the same, whether the state law claims are in a complaint or a counterclaim.

Genentech fails to address any of these policy concerns, and instead advances what it considers to be competing policies that support the Federal Circuit's holding. Each argument that Genentech makes was rejected in *Pennhurst*.

Genentech argues that a federal court adjudication of state law claims against a State is necessary to a complete resolution of the controversy. Opposition at 5-6. That argument was rejected in *Pennhurst*. 465 U.S. at 121 ("pendent jurisdiction does not permit such an evasion of the immunity guaranteed by the Eleventh Amendment"); *accord County of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 251 (1985) ("The Eleventh Amendment forecloses, however, the application of normal principles of ancillary and pendent jurisdiction where claims are pressed against the State").

Genentech asserts that bifurcation between the state and federal courts will give States an unfair "procedural advantage." Opposition at 6. *Pennhurst* rejected the same contention that "considerations of judicial economy, convenience, and fairness to litigants" should permit state law claims to be asserted against a State in federal court. 465 U.S. at 121-123.

> [S]uch considerations of policy cannot override the constitutional limitation on the authority of the federal judiciary to adjudicate suits against a State.

Pennhurst, 465 U.S. at 123, *citing Missouri v. Fiske*, 290 U.S. 18, 25-26 (1933).

Genentech also argues the *Pennhurst* should be ignored because it would lead to "hair-splitting". Opposition at 6. *Pennhurst*, however, holds that the Constitution mandates an inquiry

into whether each claim is forbidden by the Eleventh Amendment. *Pennhurst*, 465 U.S. at 121 ("A federal court must examine each claim in a case to see if the court's jurisdiction over that claim is barred by the Eleventh Amendment").

Genentech further asserts that there would be confusion as to where state law claims should be filed, and that the University is seeking to establish a "new rule". No confusion about the bright-line, black-letter rule established in *Pennhurst* can be justified. State law claims against a State are to be filed in state court. It is the Federal Circuit's opinion that creates a new rule and invites confusion by suggesting that inroads on *Pennhurst*'s straightforward application are proper.

Genentech also asserts that the Supreme Court's review should await the district court's determination on remand as to which of the state law counterclaims meet the test of Rule 13(a) of the Federal Rules of Civil Procedure. The horse will have already left the barn by that point. The Federal Circuit's decision establishes that *Pennhurst* succumbs to Rule 13(a) and does not apply in patent cases involving States. The district court would be determining which state law counterclaims meet the Rule 13(a) test without regard to the holding of *Pennhurst*. The point of this petition is that such an exercise it forbidden by the Constitution.

II.

An independent issue is presented by the Federal Circuit's decision on the effect of Public Law 102-560 ("the Act") on Genentech's patent declaratory judgment count. The court's holding conflicts with the rule of *Atascadero State Hospital v. Scanlon*, 473 U.S. 234, 242 (1985), that "Congress may abrogate the States' constitutionally secured immunity from suit in federal court only by making its intention unmistakably clear in the language of the statute." Genentech echoes the Federal Circuit's view that the phrase "any other violation under this title" in new Section 296(a) of Title 35 plainly includes declaratory judgment suits asserting that a State's patent is not valid or enforceable. However, if Congress wanted to include such suits, *Atascadero* requires that the legislation say so clearly and unambiguously in

the text of the statute. That clarity is absent from the Act. Petition at 12-13.

Any reasonable interpretation of a statute that would preserve the State's sovereign immunity must be accepted. There is a powerful presumption against a contrary construction. *Hoffman v. Connecticut Dept. of Income Maintenance*, 492 U.S. 96, 101-102 (1989) (plurality opinion); *United States v. Nordic Village, Inc.*, 503 U.S. ____, 112 S. Ct. 1011, 1016 (1992) (following the *Hoffman* plurality in upholding the Federal Government's sovereign immunity: where statute is subject to "plausible" interpretations which do not eliminate sovereign immunity, statute is not "unambiguous"). The Act is reasonably interpreted as applying only to violations of an inventor's rights as patentee and not as enabling accused infringers to file suit to attack a patent owned by a State. Petition at 10-13. Preserving the States' fundamental rights guaranteed by the Constitution compels adoption of this construction of the Act.

The legislative history of the Act buttresses the University's interpretation, rather than contradicts any supposed plain meaning, for it demonstrates that Congress' sole concern was protecting patent owners. *See Atascadero*, 473 U.S. at 243 (requiring "the federal courts to be certain of Congress' intent before finding that federal law overrides the guarantees of the Eleventh Amendment"); *id.* at 247 (requiring "an unmistakable congressional purpose . . ."). Congress' inclusion of general language about "this title" in the code section for infringement (35 U.S.C. § 271(h); A-44) only further illustrates how exclusively Congress focused on protecting the rights of patentees.

Genentech asserts that the University's interpretation of the Act could render portions of the Act meaningless, and that the University has not identified what is encompassed within the meaning of "any other violation." Opposition at 8-10. That is not correct. The Act provides protection to patentees. In addition to infringement, the Act will protect inventors from violation of any other right that arises from patent ownership. *E.g.*, 35 U.S.C. § 283 (the court may "prevent the violation of any right secured by patent"). An inventor may also bring an interference claim to determine priority of inventorship (35 U.S.C. § 291) or a suit for

false marking of a product (35 U.S.C. § 292). New Section 296(a) will not be stripped of meaning even though it does not reach declaratory judgment suits asserting that a State's patent is not valid.[2]

Genentech makes no serious attempt to defend the Federal Circuit's retroactive application of the Act to reinstate a suit filed in 1990. Instead, Genentech argues that the issue is inconsequential and merely academic. While Genentech would confine retroactivity issues to scholarly debate, the Court has not done so. *See e.g.*, cases cited in Petition at 14-15. Certainly retroactivity does not lose its importance when the constitutional immunity of the States is at stake.

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[2] Genentech is not correct in asserting that the Federal Circuit held that the University had invoked federal jurisdiction by threatening to enforce its patent. Opposition of 2 n. 2. A-19 ("[I]t appears to be unnecessary to decide whether there was an earlier non-statutory waiver of University immunity with respect to the patent counts. We thus do not reach the question of whether the University had waived any immunity it may have had from suit under the patent law"). In any event, acceptance of the argument that a State waives its immunity by involvement in a case or controversy within the scope of Article III of the Constitution would make the Eleventh Amendment superfluous. *See Pennhurst*, 465 U.S. at 120 (Eleventh Amendment "is an independent limitation on all exercises of Art III power").

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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